

TENNESSEE DEPARTMENT OF COMMERCE AND INSURANCE
BOARD FOR LICENSING CONTRACTORS
500 JAMES ROBERTSON PKWY., DAVY CROCKETT TOWER - SUITE 110
NASHVILLE, TENNESSEE 37243-1150
Contact: (615) 253-5741 or (800) 544-7693 or Fax – (615) 532-2868



MONETARY LIMIT INCREASE

NO FEE

*(*Experience sheet is required!)*

See page four (4) for complete instructions and check list:

In accordance with Contractor's Rule 0680-1-.14, a licensee may request the Board to consider revision of their monetary limitation at any of the regular Board meetings; increases cannot be granted in-office. All requests require a current **REVIEWED** or **AUDITED** financial statement, prepared by an actively licensed **CPA** or **PA** on **GAAP** basis, with experience sheet or resume. Financial statements defined as current are less than one (1) year. Cannot be prepared on *income tax basis* or *compiled*; these are **UNACCEPTABLE**.

All increase request of \$1,500,000 OR LESS, require a **REVIEWED** financial statement, prepared by a **CPA** or **PA**. (Example: \$200,000 to \$500,000; or \$750,000 to \$1,500,000, etc.)

For increases, which will take the limit **GREATER THAN \$1,500,000**, require an **AUDITED** financial statement prepared by a **CPA** or **PA**. (Example: \$1,500,000 to \$2,500,000 or \$800,000 to Unlimited.) **Must show at least \$300,000 in working capital and net worth for "Unlimited" license, plus experience.**

MONETARY LIMIT IS BASED 10 TIMES THE LESSER OF BOTH WORKING CAPITAL AND NET WORTH. WORKING CAPITAL IS "CURRENT ASSETS, MINUS CURRENT LIABILITIES"; NET WORTH IS "TOTAL ASSETS, MINUS TOTAL LIABILITIES".

At the Board's discretion, a "Line of Credit" on our format (attached) by an FDIC approved bank, savings and loan, may be used to increase the working capital. *Personal financial statements with the "Guaranty Agreement" may be used to increase the net worth and working capital at 50%. Cash only statements require supplemental/personal financials with a Guaranty Agreement. *(Note: Supplemental/personal statements, submitted in addition to the review or audit, are not required to be prepared by a CPA/PA.)

A request for increase must be received in the Board office by the **last day of the month** before the month in which the Board meets. The Board is scheduled to meet January, March, May, July, September and November. For example, request must be received by August 31st to be reviewed at the September meeting. (Note: The contractor is not required to be at the meeting!)

In order for a request to be granted prior to the meeting, the "owner" of the project must submit a hardship request in writing for the contractor, stating the hardship, bid date, details of the project and why they need this contractor to bid. The contractor's increase paperwork must be complete. Contractors cannot bid until license increase is confirmed!

All licensees must be current and valid in order to be reviewed by the Board. New licensees (licensed less than one year) cannot be granted an increase, without special permission and a detailed explanation. Should an increase be requested at renewal time, please mail separately. Note: Upon approval, a license certificate will be issued for the renewal and another certificate will be issued when the increase is granted. The Board sets the monetary limit based on experience of projects for the amount requested (you may list personnel's experience from other companies). Status may be checked at the "Lookup A License" link from our website at: <http://licsrch.state.tn.us/>

NOTE: T.C.A. §62-6-120, prohibits a contractor from offering to engage above their limit, prior to limit increase approval. Revisions are approved by the Board, only; the staff cannot approve these requests. Make sure you have your approval in writing before bidding!!!

For further assistance, please contact the Revision Section at (615) 253-5741 or 1-800-544-7693.

(11/07 (Rev.))

**BOARD FOR LICENSING CONTRACTORS
500 JAMES ROBERTSON PKWY., SUITE 110
NASHVILLE, TN 37243-1150**

TELEPHONE: (615) 253-5741 or 800-544-7693 or FAX: (615) 532-2868

NO FEE

INCREASE REQUEST

LICENSE ID #000 _____

COMPANY NAME: _____

ADDRESS: _____

(Address Change ☐ No ☐ Yes – Address above is new address)

TELEPHONE: (____) _____ - _____ (Work) / (____) _____ - _____ (Cell) / (____) _____ - _____ (Fax)

☐ Corporation ☐ Partnership ☐ Individual ☐ LLC (Limited Liability Co.)

Classification(s): _____ License Expiration Date: _____

REQUESTING BOARD REVIEW TO INCREASE MONETARY LIMIT TO:

Company _____ ***HAS** _____ **HAS NOT** bid or performed work in which we are not properly licensed or in excess of our license limit. **If you checked "HAS," please attach an explanation!*

PRINT CONTRACTOR'S NAME

SIGNATURE

DATE

ATTACH A LIST OF EXPERIENCE & PROOF OF GENERAL LIABILITY INSURANCE

(CONTINUED →)

FOR OFFICE USE ONLY

Current Monetary Limit: \$ _____ Limit Requested:

☐ Audit ☐ Review - Date of Financial Statement: _____
Financial Submitted: ☐ Personal ☐ Company ☐ Corporate ☐ Parent
Guaranty Agreement: ☐ Attached ☐ In File ☐ Not Needed

| | | | |
|-----------------------|--|----------------------|--|
| COMPANY W/C | | COMPANY N/W | |
| PERSONAL W/C | | PERSONAL N/W | |
| 50% PERS. W/C | | 50% PERS. N/W | |
| LINE OF CREDIT | | | |
| TOTAL W/C: | | TOTAL N/W: | |

☐ Approved for: _____

☐ Approved upon receipt of: _____

☐ Denied--Reason: _____

Board Member Initials

Date

DUPLICATE# _____

PREPARED BY: _____

Increase Synopsis
Supplemental Information

EXPERIENCE

1. Date:_____ Job Name_____ Spec/ Contract Amount\$_____

Type of Work: _____

Name of Customer/Owner:_____ Date Completed:_____

Month / Year

Comments:_____

2. Date:_____ Job Name_____ Spec/ Contract Amount\$_____

Type of Work: _____

Name of Customer/Owner:_____ Date Completed:_____

Month / Year

Comments:_____

3. Date:_____ Job Name_____ Spec/ Contract Amount\$_____

Type of Work: _____

Name of Customer/Owner:_____ Date Completed:_____

Month / Year

Comments:_____

4. Date:_____ Job Name_____ Spec/ Contract Amount\$_____

Type of Work: _____

Name of Customer/Owner:_____ Date Completed:_____

Month / Year

Comments:_____

5. Date:_____ Job Name_____ Spec/ Contract Amount\$_____

Type of Work: _____

Name of Customer/Owner:_____ Date Completed:_____

Month / Year

Comments:_____

INSTRUCTIONS/CHECK-LIST

- _____ 1. Complete the attached increase request form and sign (page 2).
- _____ 2. Attach list of experience (page 3) and proof of general liability insurance (page 8).
- _____ 3. Attach financial statement prepared by a CPA/PA with a "Reviewed" or "Audited" opinion.
- _____ 4. Mail to the Contractor's Board; must be received by the last day of the month to be reviewed at the next scheduled Board meeting. (Example: Received on August 31st, reviewed at the September meeting; received in September, reviewed at the November meeting, etc.)

If this is needed prior to the next Board meeting, and is defined as a hardship to the owner/customer, not the contractor, they may submit "HARDSHIP" request. Details on hardship requests are available on the website, and must include the bid date, reason of hardship, details of the project, etc., and why another licensed contractor cannot bid project.

- _____ 5. Check with your CPA to make sure you have enough working capital and net worth; a minimum of \$300,000 in both working capital and net worth is required for "Unlimited".

The following is the formula utilized by the Board to calculate working capital and net worth:

MONETARY LIMIT DETERMINATION FORMULA WORKSHEET

| <u>WORKING CAPITAL</u> | | <u>NET WORTH</u> | |
|------------------------|---------------------|------------------|-------------------|
| \$ _____ | Current Assets | \$ _____ | Total Assets |
| -minus | | -minus | |
| \$ _____ | Current Liabilities | \$ _____ | Total Liabilities |
| =equals | | =equals | |
| \$ _____ | Working Capital | \$ _____ | Net Worth |

(EXAMPLE: If monetary limit requested is \$500,000, working capital and net worth must both be at least \$50,000)

If the working capital and net worth are not sufficient for your monetary limit, you may submit a "Line of Credit" on the Board's format to supplement working capital (50% value used for negative amount or submit a personal financial statement, with the Guaranty, which may be used at 50% value to supplement both net worth and working capital. A guaranty may be required by all parent companies for their subsidiaries.

CURRENT ASSETS are cash and those assets that are reasonably expected to be realized in cash or sold or consumed within one year or within a business's normal operating cycle if it is longer. Generally, current assets include the following:

- Cash and cash equivalents available for current operations
- Marketable securities representing the investment of cash available for current operations, including investments in debt and equity securities classified as trading securities.
- Underbillings on work in progress
- Inventories (to include materials and/or houses built for sale). Also, developed lots for sale. Raw, undeveloped land is not a current asset.
- Retirement Plans, specifically an IRA, 401K and Profit Sharing, will be allowed at 50%
- Cash surrender value of life insurance policies
- Trade accounts receivable and notes and other receivables that are expected to be collected within one year
- Prepaid expenses such as insurance, interest, rents, taxes, etc.

(continued)

The following are not current assets, however, since they generally are not expected to be converted into cash within one year:

- Related party or owners receivables
- Cash restricted for special purposes (Restricted cash may be classified as a current asset if it is considered to offset maturing debt that has been properly classified as a current liability)
- Long term investments
- Receivables not expected to be collected within one year
- Land and other natural resources
- Depreciable assets (buildings, equipment, tools, etc.)
- Prepayments or deferred charges that will not be charged to operations within one year
- Notes receivables from stockholders

CURRENT LIABILITIES are obligations whose liquidation is reasonably expected to require (a) the use of current assets or (b) the creation of the other current liabilities. Generally, current liabilities include the following:

- Line of Credit and credit card balances
- Payables for materials and supplies
- Amounts collected before goods or services are delivered (overbillings on jobs in progress)
- Accruals for wages, salaries, commissions, rents, royalties, and taxes
- Other obligations, including portions of long-term obligations, that are expected to be liquidated within one year

Current liabilities do not include long term notes, bonds, and obligations that will not be paid out of current assets.

(The next two pages, “Line of Credit” and the “Guaranty Agreement” may be used to support your financial statement)

LINE OF CREDIT

TO BE WRITTEN ON BANK LETTERHEAD
(May be used if WORKING CAPITAL does not support monetary limit requested)

DATE

TO: CONTRACTOR LICENSEE NAME (Individual, Corporation, Partnership or LLC)
 Address
 City, State and Zip

Dear Contractor:

You have requested of (Name of Bank, Savings & Loan (FDIC approved)) to establish a line of credit which will be available to (Contractor's Name as to be on License) for use in conducting the contracting business for which a license is being sought from the State of Tennessee Board for Licensing Contractors.

We hereby establish a line of credit for these purposes in the amount of \$(Dollar Amount), which will be maintained for a period of one year from the date of license issuance, subject to no adverse change in your financial condition.

As a condition of this arrangement, it is our understanding you will inform us and the Board for Licensing Contractors of any significant change(s) in your financial condition during the term of this commitment.

We the undersigned will endeavor to notify the Board for Licensing Contractors should we become aware of any significant change(s) in financial conditions of the above named applicant.

By
 Name/Title

SAMPLE LETTER -- FOR BANK USE ONLY

Instructions

- To increase the working capital, a contractor may take this **SAMPLE** form to their bank
- The line of credit (LOC) does not increase the net worth
- If a contractor's working capital is negative, only 50% of the LOC's value is applied
- The LOC is for the contractor's use and may be utilized at any time by the contractor
- This format's exact wording must be used in order for the Board to consider accepting
- Original LOC document must be submitted; copies are not acceptable
- Name on LOC must be in the **EXACT NAME** as to be licensed and as on financial statement

License ID#000_____

GUARANTY AGREEMENT

(Required with supplemental financial statements to increase working capital or net worth and/or cash only statements)

I/we, the undersigned person(s), natural or corporate, do hereby pledge and agree to guarantee the debts and obligations of the within named contractor for all debts and obligations arising out of the contracting activities of the Contractor as defined by TENNESSEE CODE ANNOTATED, section 62-6-101.

This **GUARANTY AGREEMENT** is being executed at the request of:

(NAME AS ON LICENSE)

The contractor, to which this document is applicable, for the express purpose of providing additional financial security and stability for said Contractor in order to obtain a license to engage in contracting in the State of Tennessee, Board for Licensing Contractors.

I/we the undersigned Guarantors agree and contract to pay any and all debts and obligations of said Contractor as provided for above should they fail and refuse to pay and/or default on same.

I/we the undersigned Guarantors, agree to furnish and supply the Board with any and all financial reports, statements and information to which they may request in order to provide evidence of my/our financial security and stability.

I/we understand and agree that where the words "indemnities" appear in Rule #0680-1-.13 of the rules of the Board, it shall be in reference to this document, its title and wording to the contrary, pursuant T.C.A. 62-6-111(g)(1)(E), all liabilities indemnified.

This document and the obligation undertaken shall expire and shall become null and void upon expiration of any license granted the Contractor by the Board or upon joint request, in writing, of the undersigned Guarantors and the Contractor, with the approval of the Board, provided, however, that any and all debts and obligations for, or arising out of work in process, upon the expiration, nullification and/or cancellation of this agreement, shall be covered and the Guarantor(s) herein shall remain liable for same.

* * *

*Corporate parent financial statements submitted to indemnify and/or increase working capital and net worth of licensee, must complete corporate section, sign and NOTARIZE.

**Personal guarantors may indemnify and/or increase working capital and net worth of licensee, complete personal section, sign and NOTARIZE. (Signature of all persons named on financial statement, such as SPOUSE, is required.)

***CORPORATE /PARENT GUARANTOR SECTION**

****PERSONAL GUARANTOR SECTION**

Entity Name on Corporate/Parent Financial Statement

Signature of Personal Guarantor

Name: _____

Title: _____

Signature of Spouse/Additional Guarantor

***Signature of Corporate Official**

As corporate official, I am fully authorized to bind and obligate the corporation to the terms and conditions of this document as stated herein. Attached is *the supplemental financial statement*.

NOTARIZE

Subscribed before me this _____ day of _____, 20_____.

Notary Public Signature

My Commission Expires: _____
State of _____/County of _____

(SEAL)

GENERAL LIABILITY INSURANCE

Effective July 1, 2007, a new law requires all contractors to obtain General Liability Insurance in order to renew or apply for a contractor's license. In addition, workers compensation insurance is also required.

In order to comply with the new legislation, the Board has established the following as a "minimum" amount of coverage to obtain and a rulemaking will be held to discuss these amounts. Please check with your insurance provider, as they may advise to apply for more or additional coverage, based upon your individual needs and the amount of projects you perform.

| <u>Contractor's License Monetary Limit</u> | <u>Minimum General Liability Insurance</u> |
|---|---|
| Up to \$500,000 | \$100,000 |
| \$500,001 to \$1,500,000 | \$500,000 |
| \$1,500,001 to Unlimited | \$1,000,000 |